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CFPB Uses Laboratory Experiments to Attack Junk Fees

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On April 30, 2024, the Consumer Financial Protection Bureau ("CFPB") published a **report called "Price Complexity in Laboratory Markets"** that concluded that the financial services industry should keep pricing for financial services and products simple. Using actual people in a laboratory setting at the Gettysburg Lab for Experimental Economics, the CFPB conducted a series of experiments that had the participants interact with various market models through private, networked computer terminals. "Participants earned 'tokens,' and at the end of each session, tokens were exchanged for dollars."

"While not expected to exactly mirror real-world transactions, the CFPB found in these experiments that more complex pricing generally led to more detrimental outcomes for consumers." The **CFPB's accompanying press release** highlighted outcomes from the experiment that appeared to advocate for sellers not having any choice in being able to offer more than one price because when the participants were presented with granular pricing they were "15 times more likely to select a higher-priced option in markets with 16 sub-prices than in those with one price."

Although such an observation is non-sensical as one considers how a participant could have chosen a higher-priced option if there was only ONE price option, and despite the report's conclusion that "to be confident that laboratory results will generalize, more work must be done," the CFPB's press release concluded that price complexity poses challenges to consumers. In describing price complexity that exists in the marketplace today, the CFPB focused primarily on fees the CFPB has deemed to be "junk fees" that are charged to consumers if they pay late, transfer balances, or overdraft their deposit accounts.

But, just for good measure, the CFPB detailed other aspects of financial products and services pricing that are complex such as differing down-payment amounts consumers have available for mortgages and auto loans, different car models available to purchase, and interest rates that vary based upon the consumer's credit score. The purpose of identifying these aspects of price complexity makes one wonder if the same agency that has taken action to severely limit credit card late fees is beginning to advocate for doing away with credit scores altogether, and taken to its logical conclusion, wants all Americans that must finance the purchase of a motor vehicle to drive the exact same car?